

How Assam is India's expressway to ASEAN: Answering Investment call from the Land of Red Rivers & Blue Hills

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Abstract:

While globalization has led to the freedom of economic movements across the world, India is marking its presence to a new dawn. With various schemes like Make-In-India, UDAAN etc., India is trying to leverage the potential of its member states. Assam is one of North Eastern states of India, known for its natural resources like Tea, minerals, Water and biodiversity. Assam is inviting investors to share their journey of business with the land of Red River & Blue Hills¹. The state is offering various benefits and business friendly policy keeping in mind the Planet, People and profit approach of doing business. By framing new sector specific policies the state is all set to form a launch-pad for many aspiring business individuals & Organizations across India. The paper provides the insights about the investment opportunities and various factors playing important role in recognizing the state as India's expressway to ASEAN.

Keyword: *Assam, Investment, Business, Economy, ASEAN.*

I. INTRODUCTION

Assam is the second largest State of North East India by its geographical area having highest population in the region². The State is spread over a geographical area of 78.44 thousand sq km and shares boundary with the states of Arunachal Pradesh, Nagaland and Manipur in the East, West Bengal and Bangladesh in the west, Meghalaya, Tripura and Mizoram in the south and Bhutan and Arunachal Pradesh in the North. The State has 27 districts, out of which four districts are under the Bodoland Territorial Council (BTC). With the Indian independence, Assam became a constituent state of the Indian Republic. The State has 126 Legislative Assembly constituencies and 14 Parliament constituencies. Like the rest of the country, Assam has a three-tier judicial system and it inherits the Indian Legal System with its well developed laws of Property, Contracts and Torts as well as Criminal Law, etc. Earlier Assam was facing the absence of adequate entrepreneurial activities in most instances which caused a region to remain economically stagnant, despite the presence of abundant natural and physical resource.³

Climate: Average rainfall of the state is recorded as 2282.2 mm. The State falls within Agro-climatic zone II⁴. Based upon agro-climatic characteristics, the State has been sub-divided into eight major sub-zones primarily based upon rainfall, temperature and soil moisture regimes. These are namely, i) Upper Brahmaputra Valley (North) ii) Upper Brahmaputra Valley (South) iii) Central Brahmaputra Valley (South) iv) Lower Brahmaputra Valley (North west) v) Lower Brahmaputra Valley (North) vi) Lower Brahmaputra Valley (South) vii) Barak Valley viii) Hill sub-zones. Average High temperature is 38.33 degree Celsius and Minimum 11 degree Celsius.

Objectives of the Study

The objectives of the present paper are as follows:

¹ As stated in IBEF(Indian Brand Equity Foundation) report 2017

² According to Census of India, 2011

³ Barua, N. A., & Mali, A. (2011) examined the various opportunities for micro and small enterprises in the state of Assam and concluded that that entrepreneurial performance indicated by the output is largely affected by the quantum of investment rather than the level of employment. They found that the micro, small and medium enterprises in Assam had an average growth of 20.63% per annum from 1987-88 to 2006-07.

⁴ According to NAEB NAP REPORT 2013 (National Afforestation And Eco-Development Board- National Afforestation Programme)

- To understand the Investment opportunities in Assam
- To analyze issues and insights of Assam for Investment
- To Identify Infrastructural & Economical highlights of Assam.

II. Methodology

The paper explains both with quantitative and qualitative natures. It is based on the secondary data derived from books, journals, articles, websites and government sources. Observational method is also used for analyzing the data.

Economy of Assam

According to (Industrial & Investment Policy of Assam, 2014) Then growth rate of GSDP⁵ in the State during the 9th plan period was 1.51per cent which increased to 5.33per cent during the 10th Plan period. The State Government was able to achieve an annual average growth rate of 8.42 per cent during the 11th Plan period. The projected growth rate for 12th plan period is 9.38per cent. The expected growth rate of Agriculture sector during 11th plan period is 3.06 per cent against the national growth rate of 4per cent and is expected to rise up to 4.65per cent during the 12th Plan period. The expected growth rate of Industries sector during 11th Plan period is 4.45per cent and projected growth rate for 12th plan period is 4.65per cent. The expected growth rate of Services sector during 11th plan period is 8.86 per cent and projected growth rate of 12th Plan period is 12.50per cent. As per advance estimates the GSDP of the state, in terms of constant (2004-05) prices in 2011-12, will be Rs.80465.13 Cr as against Rs.74214.94 Cr in 2010-11 (quick estimate), signifying a growth rate of 8.42per cent. As per advance estimates, the growth rates of Agriculture & Allied sectors, Industry and Services sector during 2011-12 are expected to be 6.43per cent, 7.19per cent and 9.74per cent, respectively. As per advance estimate for 2011-12, the per capita GSDP of Assam at current prices is expected to be Rs.37481 as against Rs.34201 in 2010-11. The per capita income of Assam on the basis of NNSDP⁶ (current price) in 2011-12 is estimated to be Rs.33633 as against Rs.30569 in 2010-11.

In the state, 85.92per cent of the total population is rural. Agriculture is the mainstay of the major part of the population. Agricultural workers account for 54.44per cent of the total workers of the state. Industrialization in Assam dates back to the days of first commercial plantation of Tea and which occupies an important position in the state's economy. Apart from that, Assam, with its Four Refineries and Allied units, produces a major part of the Petroleum and

Petroleum- based products in India. Additionally, the registered factories include Major, Medium and Small units in Central Public Sector, State Public Sector and Private & Joint sector. The Industrial Relations scenario in the state is peaceful. There is a low incidence of labor related disputes. Direct collective bargaining of negotiations between employers and employees is widely practiced. The Government of Assam is emphasizing on adoption of Eco-friendly investment strategy for sustainable development of the state. The vast Water Resources of the state could be leveraged for harnessing Hydro Power, development of Pisciculture / Aquaculture and transportation links. The strategy also encompasses reinvention of Tea industry, revolution in Organic cultivation, Eco-tourism, Eco-infrastructure driven investment in rural and urban township.

Today, Assam has a vibrant industrial base. From the oldest tea industry and huge onshore oil production to the only Stock Exchange in the region and large presence of Banks and Financial Institutions, its industrial base spreads across a wide spectrum of existing industries in Petroleum, Petrochemicals, Fertilizers, Textiles, Cement, Paper, Plastic and a host of products and services. But there is always scope for more. Amongst numerous options, the thrust areas identified for investment are Food processing and Agro based Industries, Mineral based industries, Bamboo based industries, Extraction and Value Addition of Herbal Medicinal and Aromatic Plants, Bio-Technology sector, Information Technology related activities, Hospitality industry and Tourism, etc.

Infrastructure of Assam

Adequate infrastructure facilities are a prerequisite for any industrial investment. Assam has and is continually developing the needed infrastructure towards its vision of being the gateway to the South East. The major modes of transportation in Assam are Roadways, Railways, Airways and Inland Waterways. At present, there are two road-cum-rail bridges and one road bridge over the river Brahmaputra. The fourth bridge over the river near Dibrugarh (Bogi beel) is under construction and a fifth bridge at Guwahati is under construction.

- (a) Road Ways: A total road length of approximately is 69,000 kms. Covering both metalled and non- metalled surfaces. The major towns in the state are connected by National Highways; East- West Corridor is under construction and proposed to be completed by end of 2013-14.

⁵ Gross State Domestic Product (GSDP) it is a measured in monetary terms based on the volume of all goods and services produced within the boundaries of the State during a given period of time.

⁶ NSNP is a measure of the net production in the economy of state

- (b) **Air Connectivity:** The functional Airports of Assam are at Guwahati, Jorhat, Silchar, Dibrugarh, Lakhimpur and Tezpur. There are regular air services for New Delhi, Kolkata, Chennai, Hyderabad, Mumbai, Agartala, Imphal, Dimapur, Aizwal, Bagdogra, Jorhat, Dibrugarh, Lilabari, Tezpur from Guwahati. Dibrugarh, Jorhat and Tezpur are also connected to Kolkata by regular flights. Guwahati is also connected to various places of Arunachal Pradesh & Shillong by Helicopter services. Druk airlines of Royal Government of Bhutan is also operating a flight through Guwahati to Bengkok twice in a week. Lokopriya Gopinath Bordoloi International Airport (LGBI Borjhar Guwahati) is the only declared international Airport for entire North Eastern Region. It is observed that the frequency of flights and number of travellers have increased enormously during the period from 2001-2010. In addition to this there is a significant jump of passenger movement during the period 2001-10. The CAGR (2000-10) is 15per cent against all India average 12.9per cent.
- (c) **River Connectivity:** Assam is endowed with extensive navigable waterways. The major rivers are the Brahmaputra and Barak and their numerous tributaries. The riverine system's length is 4065 kms, out of which 2194 kms area navigable throughout the year and the rest during the monsoon only. The river Brahmaputra from Dhubri to Sadiya has been declared as National Waterway No-2 by the Government of India. The Directorate of Inland Water Transport, Assam and CIWTC operate water transport services on the river Brahmaputra and Barak on commercial basis. These services are used for the transportation of passengers and goods alike across the state and to neighbouring West Bengal through Bangladesh. There is a good scope of utilization of this river route for economic development of the state.
- (d) **Railways connectivity:** The total route length is approximately 2506 kms. Several services directly connect Assam to major cities of India. Within the State, all the major towns are directly linked by railways. The headquarters of the North-East Frontier Railways is located at Guwahati.
- (e) **Inland Container Depot:** Container Corporation of India Ltd. (CONCOR) operates an ICD at Amingaon, 10 km from Guwahati having one Reach Stacker with 50MT capacity and Two Sling cranes with 35 MT capacities.
- (f) **Power:** The Government is committed to provide quality of power supply through dedicated feeders and to encourage setting up of captive power plant in the Industrial Estate/Industrial Growth Centres, etc. at the same time the State would encourage Private Sector to set-up power plant in the State.
- (g) **Telecommunications:** The Telecommunication network is one of the fastest growing sectors in the state. Individuals and industries alike face no problems in procuring telephone and other telecommunications facilities. The penetration of landlines as well as cellphone telephony is high and is steadily increasing.
- (h) **Internet Connectivity:** Broadband and Wireless Broadband are available in the capital city of Guwahati and all major towns of the state. Major cellular phone operators also provide GPRS, 3G, etc to cellphone users in the state.
- (i) **Banking & Finance :** There are total 1804 bank branches of all Schedule Commercial Bank in Assam. The average population covered per bank branch in office was around 20 thousand compared to all India average of 14 thousand. Credit deposit ratio was 43.56 per cent in 2012-13. State Bank of India (SBI) is the Lead Bank for 6 districts namely Baksa, Bongaigaon, Chirang, Dima Hasao, Karbi-Anglong and Udalguri. United Bank of India (UBI) is the lead bank for 12 districts. UCO bank is the lead bank for 9 districts namely Barpeta, Darrang, Dhubri, Goalpara, Kamrup, Kamrup Metro, Kokrajhar, Nalbari and Sonitpur. Almost all the Nationalized Commercial Banks, Financial Institutions and Insurance Companies have their Regional / Zonal offices at Guwahati. The Reserve Bank of India (RBI) has its Regional office at Guwahati. Besides, multinational banks like Standard Chartered, National level banks like ICICI, HDFC, Axis Bank, IDBI, Kotak Mahindra are present in a big way in the state. The premier foreign trade bank, EXIM Bank, also operates in Guwahati. North East Development Finance Corporation (NEDFi) and Assam Financial Corporation are the major Financial Institution of the state.

Industrial Infrastructure

The State has 64 (sixty four) no's of Commercial Estate for the Micro units and 50 (fifty) no's of Industrial Estate/Area spread across all the districts of Assam. The State has 3 (three) Industrial Growth Centers (IGC) and 11 no's of Integrated Infrastructure Development Centre (IIDs) out of which 2 are under construction. Two more projects on similar lines has been approved by the Government of India under MSE-CDP⁷ scheme at Pathsala (Barpeta) and Moran (Dibrugarh).

⁷ (MSE-CDP)Micro & Small Enterprises - Cluster Development Programme by Government of India as a key strategy for enhancing the productivity and competitiveness as well as capacity building of Micro and Small Enterprises

Software Technology Park (E)
Bio-Technology park (E)
Export Promotion Industrial Park (E)
North East Mega Food Park (P)
Food Processing Park (E)
Bamboo Park (P)
Plastic Park (P)
Tea Park (P)
Jute Park (P)
Pharmaceutical Park (P)
Air Cargo Complex (P)
Marketing Infrastructure for Agro Food (P)
Border Trade Centre & Trade Facilitation Centre (P)
Institutional Support for R&D and HR Development

Table 1 List of existing and proposed projects under Industrial Infrastructure (E)-Existing, (P): Proposed

Source: Compiled from the Industrial & Investment Policy of Assam (2014).

The state is ready to offer tax exemption on Entry Tax, Subsidy of quality Certification/Technical Knowhow: State Capital Subsidy for Educational Institutions, Research facilities, Hospitals, Nursing Homes and Public utility facilities from the non-governmental sector

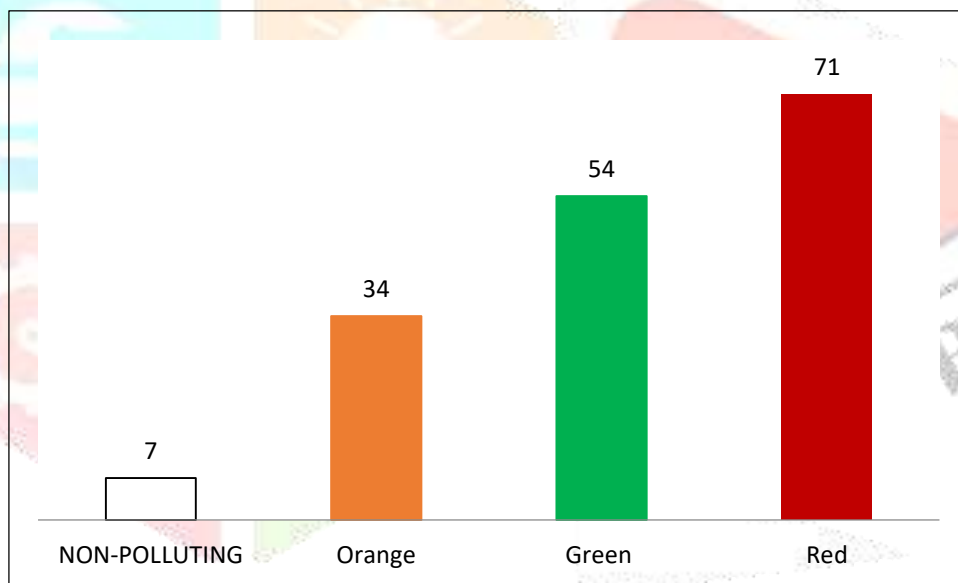


Figure 1 : Number of Industries based on Pollution Category in Assam

Source: Own compilation

Gateway to ASEAN

The strategic location of Assam, in proximity to the growing ASEAN⁸ economies provides easy access to a market of over 800 Million Consumers. All the major cities of ASEAN are located geographically closer to Assam, when compared to other major cities of the Country (See Fig 2). This natural advantage helps business to reduce logistics cost over their competitors. Being the heart of North eastern states, Assam is contiguous to all the North Eastern states. Hence the demand from ASEAN states can easily be addressed by Assam. A significant stretch of ongoing Trans Asian Highways AH-1/AH-2 project passes through key districts of Assam. Some of the major projects being executed include Kaladan Mauli-modal transit transport Project and the India- Myanmar-Thailand Trilateral Highway project. With these projects the trade with ASEAN and neighboring countries is set to boost. Assam will become destination choice for setting up business ties with the ASEAN and neighboring markets.

⁸ ASEAN is Association of Southeast Asian Nations. It includes Indonesia, Malaysia, the Philippines, Singapore, and Thailand and Brunei



Figure 2 : Showing strategic Location advantage with ASEAN

Source: State profile report Advantage Assam (2017)

Doing Business in Assam

The state government has laid down various policies, administrative framework that prospective investors can utilize on online portal to submit and track their proposals while simultaneously acquiring all relevant information on the state’s Industrial ecosystem.

The State has following sector specific policies to ensure positive investment

- Tourism Policy
- Food Processing Policy
- Information Technology (IT) policy
- The Assam Industrial and Service sector promotion policy
- The Sugar Policy of Assam
- Startup policy of Assam

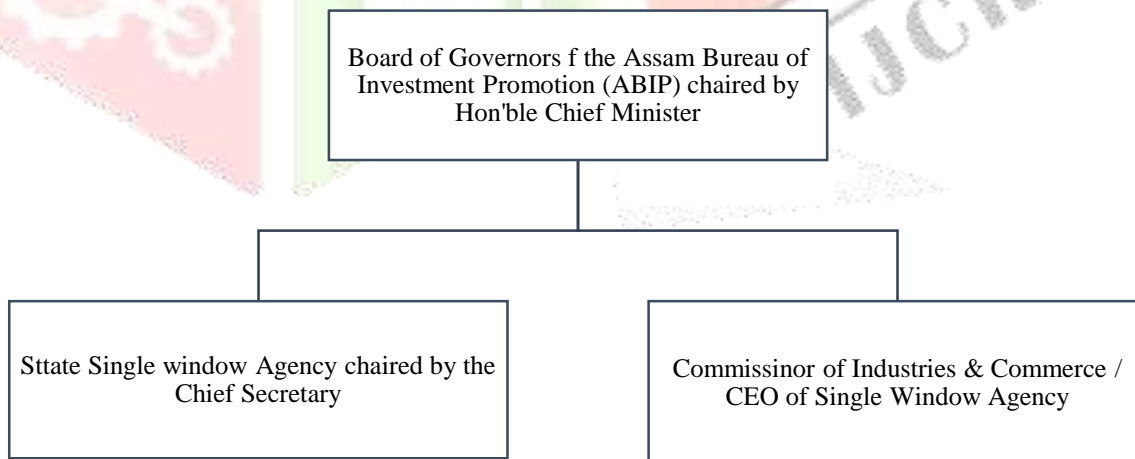


Figure 3 Administrative Framework for Investment approval

Guwahati, Assam			
Ease of doing business (rank)		8	
Starting a business (rank)	13	Paying taxes (rank)	6
Procedures (number)	13	Payments (number per year)	62
Time (days)	38	Time (hours per year)	278
Cost (% of income per capita)	40.5	Total tax rate (% of profit)	67.4
Minimum capital (% of income per capita)	0		
Dealing with construction permits (rank)	12	Trading across borders (rank)	7
Procedures (number)	16	Documents to export (number)	8
Time (days)	179	Time to export (days)	22
Cost (% of income per capita)	353.1	Cost to export (US\$ per container)	713
		Documents to import (number)	9
		Time to import (days)	28
		Cost to import (US\$ per container)	794
Registering property (rank)	14		
Procedures (number)	4		
Time (days)	84		
Cost (% of the property value)	15.4		
		Enforcing contracts (rank)	2
		Procedures (number)	46
		Time (days)	600
		Cost (% of claim)	22.5
		Closing a business (rank)	12
		Time (years)	8.3
		Cost (% of estate)	7
		Recovery rate (cents on the dollar)	13.5

Figure 4 Ranking Assam for ease of doing Business in 2009

Source: *Doing Business in India (2009)* by the World Bank and the International Finance Corporation

Figure 4 explains the ranking of Assam (with reference to Guwahati city) for ease of doing business 2009. State must consider the weak ranking in various categories and create conducive business environment.

Key Issues

Assam has remained one of the most volatile and sensitive regions in the country because of the problems of insurgency, ethnic conflict, pressure of migration, underdevelopment etc.

The perennial flood problem

Topography plays a major role. Because most of the rivers flow downstream in the State, they do so with so much force, especially during incessant rainfall, that breaches in embankments are all too common. There are also human-induced problems like destruction of wetlands, deforestation, and encroachments on river banks. Most cities and towns suffer due to poor planning. The Water Resource Department in Assam submitted a flood memorandum to the Centre in 2016 following the flood seeking an Rs.5038.00 crore for repairing embankments, flood control structures and repairing of damages to river banks

Illegal immigration of Bangladeshis

With new stream of investments to Assam the local public may have a fear particularly that illegal immigrants may grab employment which may lead to competition and conflict in particular place and circumstances (Godbale M 2005).

ULFA-I Unrest

Liberation Front of Asom-Independent (ULFA-I) It seeks to establish a sovereign Assam. Ulfa considers Hindi-speaking people in the region as representatives of so-called "colonial New Delhi". The secessionist approach of this organization should not disturb the business world in the state.

Conclusion

Assam is the largest economy in Northeast India⁹. Owing to its relative proximity to the rest of the country & availability of quality infrastructure, the state offers a favourable environment for industry. The state has adopted numerous investor-friendly policies to attract investments & accelerate industrial development. The Investors can look at this Northeast state of India as an expressway way to ASEAN. With some key issues to be addressed by the state towards restoring conducive business environment, it is fruitful for investors to engage business activities in the state. The Answer to the Investment call from the Assam may be YES.

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⁹ Based on IBEF (India Brand Equity Foundation) report July 2017, GSDP grew at a CAGR of 10.3% between 20011-12 & 2016-17.

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